



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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Fifth District

July 6, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Executive Officer

## SACRAMENTO UPDATE

### Legislation of County Interest

Two bills, **AB 55** and **AB 1749**, authored by Assembly Member Dymally have recently been amended to address the subject of Martin Luther King Jr. (MLK)-Harbor Hospital.

The first bill, **AB 55**, was amended on July 2, 2007 as an urgency measure to authorize the Los Angeles County Board of Supervisors, at its discretion, to establish by ordinance, a hospital authority for the management, administration, and control of MLK-Harbor Hospital. Existing law authorizes the boards of supervisors of certain counties to establish a hospital authority for the management, administration, and control of certain medical facilities.

If the Board exercises this authority, the bill provides for the creation of a 12-member governing board specific to MLK-Harbor Hospital. The membership of the governing board would include: 1) five members designated by the Los Angeles County Board of Supervisors; 2) one member to be nominated by the Governor; 3) one member nominated by the Speaker of the Assembly; 4) one member nominated by the Senate Committee on Rules; 5) one member nominated by the Governor from the University of California, Los Angeles or the University of California, Irvine; 6) one member nominated by the Governor from the Los Angeles County Medical Association; 7) one member

nominated by the Governor from the Charles R. Drew University of Medicine and Science; and 8) one member appointed by the Health Authority from the Los Angeles County community of Willowbrook.

County Counsel notes that AB 55 expressly provides that should MLK-Harbor Hospital come under a hospital authority, existing and available funding shall not be affected. However, AB 55 may not be able to protect certain funding because the Centers for Medicare and Medicaid Services retains the discretion to determine whether or not Federal funding would continue through MLK-Harbor Hospital's participation in the Medicare Program.

AB 55 will be heard in the Senate Health Committee on Wednesday, July 11, 2007.

The second bill, **AB 1749**, was amended on July 2, 2007 as an urgency measure to authorize the State Department of Public Health (Department) to appoint a temporary manager to operate a general acute care hospital in an underserved community when the patients are in immediate danger of death or permanent injury. Upon appointment, the temporary manager would be required to take all necessary actions to eliminate the immediate danger of death or permanent injury to patients or to transfer them to alternative sites. The temporary manager would have the authority to hire, terminate or reassign staff, obligate facility funds, alter facility procedures, manage the facility, and would be paid directly by the facility.

The temporary manager would remain in place until any of the following events occur: 1) the hospital meets State and/or Federal standards; 2) the Department approves a new management company; 3) a new operator is licensed; 4) the Department closes the facility; 5) a hearing or court order ends the temporary manager appointment; or 6) the appointment is terminated by the Department or the temporary manager.

In their preliminary reading of the legislation, the County Department of Health Services and County Counsel have identified at least four questions of major significance: 1) how will this bill affect employee rights, including civil service regulations, 2) who would be authorized to make medical decisions, 3) who would assume liability for all the facility's actions, and 4) does the State have the authority to obligate County funds without Board approval?

AB 1749 will be heard in the Senate Health Committee on Wednesday, July 11, 2007.

### **State Budget**

On Tuesday, July 3, 2007, the Assembly Budget Committee released its preliminary Conference Report for the FY 2007-08 State Budget. The Report indicates that the Conference Committee version of the budget is similar to the Governor's May Revision

proposal in that both have similar reserve levels of approximately \$2 billion and neither proposal provides for many new programs. The Conference Committee restored \$314 million from the proposed CalWORKs reductions, \$55 million for the Integrated Services for Homeless Adults with Serious Mental Illness (AB 2034) Program, \$40 million for the Proposition 36 Program, \$148 million for the SSI/SSP Cost of Living Adjustments, and \$749 million for public transit, among others. The Committee also included \$78 million for the Juvenile Justice Reform proposal and eliminated \$45 million for the Mentally Ill Offender Crime Reduction Program and \$37 million for court security costs. A summary of the Assembly report is attached.

Notwithstanding the statements included in the Assembly report, as we reported last week, the Budget Conference Committee proposal was approved by a vote of 4 to 2 with Republican members voting against the proposal. The primary issues of contention for the FY 2007-08 State Budget negotiations have not been made public; however, according to press reports, Senate Republican Leader Ackerman indicated that some of the issues include: (1) sale of EdFund which guarantees student loans and could generate \$1 billion for the State; 2) redirection of \$1.3 billion in transportation funds for General Fund purposes; and 3) approximately \$2 billion in program cuts to bring spending in line with revenue collections.

The Governor's Office has been rather quiet on the State Budget and no "Big Five" meetings have occurred to date. According to the California State Association of Counties, the Legislative Leadership has been negotiating to address the unresolved issues. At this time it appears that neither house will vote on the State Budget until the Legislative Leadership reaches an agreement.

On other budget related news, four of the five Indian gaming compacts approved by the Governor last year, which would allow up to an additional 17,000 slot machines, were approved by both Houses last week. According to the Administration, the new compacts could eventually generate about \$539 million per year in tribal revenue-sharing payments; however, according to the Legislative Analyst's Office, the revenue would be approximately \$200 million annually. In addition, an appeals court denied a request to issue \$525 million in pension obligation bonds to cover government pensions because the State failed to secure a two-thirds vote in each house of the Legislature and did not obtain voter approval. While the court ruling is a setback for the State, it would not affect the FY 2007-08 State Budget because the Administration removed the projected revenue assumption from the May Revision proposal.

### **Pursuit of County Position on Legislation**

On September 22, 2006, the Federal Centers for Medicare and Medicaid Services (CMS) advised the County that funding for the King Drew Medical Center would be discontinued after November 30, 2006. Subsequent to this notification, the County

Department of Health Services (DHS) reported that this action would result in a loss of approximately \$200 million of the hospital's almost \$400 million total budget. Your Board subsequently adopted the MetroCare restructuring plan that created a smaller institution under the medical and management control of Harbor-UCLA Regional Medical Center. An agreement was reached on March 30, 2007 with CMS and the State of California to extend the now renamed MLK-Harbor Hospital's Medicare Provider Agreement until August 15, 2007.

Under the CMS agreement, the County cannot submit claims for non-emergency services rendered to Medi-Cal or uninsured patients from May 1, 2007 until August 15, 2007. As a result, DHS is recommending amendments to current law governing California's Section 1115 Medicaid Waiver (also known as the Medi-Cal Redesign Project) in order to limit the financial impact on the County of the March 30, 2007 agreement with CMS regarding MLK-Harbor Hospital.

These amendments will allow the County to receive Federal funds that approximate the amount of funds the County would have received for uninsured patients treated during the May to August time period. We estimate the total net benefit of this proposal to the County will range from \$4 million to \$6 million.

Our Sacramento advocates advise that the proposal is likely to be added to SB 474 (Kuehl), which extends and modifies several provisions of the Medi-Cal Redesign Project, including annual adjustments to baseline funding, and is therefore an appropriate vehicle for the County's amendments.

These amendments are consistent with existing County policy to support a dependable long-term funding source for the health care safety net and your Board's adoption of the MetroCare restructuring plan. **Therefore, our Sacramento advocates will support the addition of this amendment to SB 474 or other appropriate legislation to allow the County to receive certain Federal funding related to MLK-Harbor Hospital.**

**AB 13 (Brownley and Leno)**, as amended on June 6, 2007, would require hospitals to adopt a plan or procedure for determining the staffing of professional and technical classifications. The hospital would be required to use the plan or procedure to determine the number of competent personnel necessary to meet the needs of its patients. This plan or procedure would not apply to the staffing of nursing personnel which is already subject to ratios established by regulation implementing AB 394 (Kuehl) of 1999. It would be subject to annual review by the hospital to determine if adjustments are needed, and review by the California Department of Health Services. The failure to maintain, review annually, or to comply with a plan or procedure would be deemed by the California Department of Health Services to constitute staffing that has the potential for harm to patients. Hospitals would be required to make the plan or procedure available to the public upon request.

The County Department of Health Services (DHS) indicates that AB 13 would, in effect, require hospitals to develop staffing plans similar to the nurse-to-patient ratios for all professional and technical hospital staff. It is already difficult for the County's hospitals to comply with the nurse-to-patient ratios because California is in the midst of a nursing shortage. There are significant staffing shortages for many other medical personnel including primary care physicians, pharmacists, phlebotomists, and clinical laboratory scientists. County hospitals would be unable to compete successfully for these professional and technical staff because private hospitals will be able to offer higher salaries and other attractive incentives. Because the Department is unable to hire the required number of licensed nurses due to the nursing shortage, DHS employs nurses from the Nurse Registry at much greater cost. Many medical professional positions do not have registries or employment agencies from which to hire these staff. DHS is concerned that the inability of hospitals to comply with AB 13 would result in hospitals turning away patients and disruption to patient care.

AB 13 is almost identical to County-opposed AB 2754 (Chan) of 2006, which also would have required hospitals to develop a staffing plan for professional and technical staff. AB 2754 failed passage on the Senate Floor. Because AB 13 would impose significant costs and recruitment problems that would far exceed those already faced by the Department to implement nurse-to-patient staffing ratios, DHS recommends that the County oppose AB 13, and we concur. Consistent with County opposition to AB 2754, **our Sacramento advocates will oppose AB 13.**

AB 13 is sponsored by the Service Employees International Union (SEIU) and supported by the American Federation of State, County and Municipal Employees; AFL-CIO California Labor Federation; AFL-CIO California State Employees Association; and the San Bernardino Public Employees Association. It is opposed by the Alliance of Catholic Health Care; California Hospital Association; California Mental Health Directors Association; California State Association of Counties; Centinela Freeman Health System; Children's Hospital and Research Center; Good Samaritan Hospital; Long Beach Community Hospital; Motion Picture and Television Fund; and the United Hospital Association; among others. AB 13 passed the Assembly Floor by a vote of 46 to 30 and is scheduled for hearing on July 11, 2007 in the Senate Health Committee.

**AB 338 (Coto)**, as amended on June 6, 2007, would enhance temporary disability benefits for sworn and non-sworn government employees. Under current law, temporary disability payments are limited to 104 weekly payments over a two-year period. In addition, certain safety officers are eligible to take up to a one-year leave of absence without loss of pay subsequent to a job-related injury.

AB 338 would allow: 1) injured workers to receive up to 156 weeks of temporary disability benefits for injuries occurring on or after January 1, 2007; 2) benefits to be received at any time within five years of the date of injury; 3) extension of the 156 weeks

of potential benefits by the amount of time when temporary disability benefits are due and payable and more than 14 days late, or when an employer's objection causes a delay in the injured worker receiving treatment and the review or objection is decided in favor of the injured worker; 4) the one-year leave of absence time for safety officers to be extended for the reasons noted in 3) above; 5) inmates of any county jail, industrial farm, road camp, or city jail, or an inmate assigned to a county work release program who would not have qualified for temporary disability benefits prior to incarceration shall not receive temporary disability benefits as a result of a work-related injury that occurs during incarceration; and 6) inmates as defined above who qualified for temporary disability benefits prior to incarceration shall be entitled to receive benefits based on that qualification as a result of a work-related injury that occurs during incarceration, but that the prisoner shall receive these benefits only upon release.

AB 338 would result in undetermined additional costs to the County related to the increased number of payments to temporarily disabled workers. Risk Management staff indicate that the provisions of the bill would require a substantial increase in the recordkeeping necessary to calculate the length of "delays" that would extend the maximum number of weekly payments. This process can become particularly complex as there can be a number of requests for treatment which would be subject to appeal during the course of a workers' compensation claim. **For these reasons, our Sacramento advocates will oppose AB 338.** Opposition is consistent with Board Policy to oppose legislation that would mandate benefit changes without approval of the Board of Supervisors.

The bill, as amended March 29, 2007, was sponsored by the California Labor Federation (AFL-CIO) and supported by the California Professional Firefighters, California Applicants' Attorney's Association, California Federation of Teachers, California State Employees Association, and the Teamsters. AB 338 was opposed by, among others, the California Association of Joint Powers Authorities, California State Association of Counties, California Chamber of Commerce, and California Coalition of Workers' Compensation. There is no current list of supporters and opponents on the June 6, 2007 version of the bill. AB 338 has been referred to the Senate Committee on Labor and Industrial Relations. No hearing date has been set.

### **Status of County-Sponsored Legislation**

**County-sponsored AB 223 (Runner)**, which would allow those called to active military duty on short notice to cast absentee ballots in elections, was unanimously approved by the Senate Appropriations Committee on July 2, 2007. The Department of Finance (DOF) expressed opposition to AB 223, unless it is amended to ensure that its provisions will not result in a State-reimbursable mandate. Nonetheless, AB 223 now proceeds to the Senate Floor, where it is expected to be on the consent calendar.

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**County-opposed SB 1001 (Perata)**, which would change the composition of regional water quality control boards from nine Governor-appointed members, with specified backgrounds and qualifications, to seven at-large Governor-appointed members, passed out of Assembly Environmental Safety and Toxic Materials Committee on a party line vote, and now proceeds to the Assembly Appropriations Committee. The bill was amended in committee to specify that 1) the seven appointees have water quality credentials, and 2) that it will be the Legislative Analyst's Office instead of DOF that shall prepare the bill's prescribed Report to the Governor and to the Legislature regarding the programmatic effectiveness of fees.

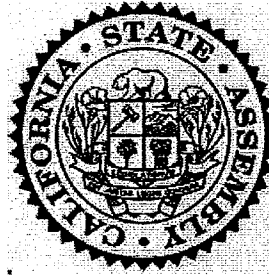
We will continue to keep you advised.

DEJ:GK  
MAL:DD:IGR:hg

#### Attachment

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

THE 2007-2008 STATE BUDGET  
Preliminary Conference Report



**ASSEMBLY BUDGET COMMITTEE**  
**PRELIMINARY CONFERENCE REPORT**  
**2007-2008 STATE BUDGET**

**JOHN LAIRD, CHAIR**

July 3, 2007

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**Summary**

On June 29, 2007, the Budget Conference Committee completed their work crafting the budget for 2007-08, thus culminating a five month process of well over 100 subcommittee, full committee, and Conference Committee hearings. During which time countless issues were presented, debated, and acted upon, resulting in a final budget that is fair, responsible, and balanced.

In total, the Conference version of the budget contains \$105.7 billion in available General Fund resources, \$104.4 billion in General Fund expenditures, and a total available reserve of \$2.023 billion.

The Conference version is similar to the Governor's May Revision proposal in that they both have almost identical actual reserves and neither have a lot of new programs.

Some key elements of the Conference version of the budget are as follows:

- ◆ **\$2 Billion Reserve in line with Governor's May Revision Reserve.** Provides total available reserve of \$2,023 million, within \$13 million of the Governor's updated May Revision reserve. And, the Conference reserve is much more realistic than the Governor's updated May Revision reserve, since it does not include the \$832 million Home-to-School diversion of transportation funds which is likely unconstitutional. Therefore the Governor's reserve likely being overstated by \$832 million.



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- ◆ **Tough Solutions.** Includes difficult budget solutions, including cutting the CalWORKS COLA, not "buying-out" the Governor's fee increases for CSU and UC, not providing \$400 million in current year Proposition 98 "settle-up" appropriations, and shifting \$551 million of gas taxes paid at the pump from public transit to the benefit of the General Fund.
- ◆ **Economic Recovery Bonds Repayments.** Includes \$2.5 billion in repayments of the Economic Recovery Bonds. This includes about \$1.5 billion from the dedicated sales tax and \$1 billion that the Governor could have suspended.
- ◆ **Williamson Act.** Rejects the Governor's proposal to eliminate the Williamson Act Subvention for local governments.
- ◆ **CalWORKS for Children.** Rejects the Governor's most draconian cuts to CalWORKS, including \$314 million in cuts that may have taken aid away from as many as 190,000 of California's neediest children.
- ◆ **SSI/SSP COLA.** Rejects the Governor's proposal to cut the January, 2008 COLA for SSI/SSP.
- ◆ **Medi-Cal.** Fully funds caseload and county administration and includes \$214.3 million for managed care rate increases, as proposed in the Governor's May Revision.
- ◆ **Clean Air and Protecting the Environment.** Begins implementation of AB 32 and provides significant funding for clean air and environmental protection efforts with critical bond appropriations.
- ◆ **K-12 Education.** Provides full funding of Growth and COLA for education but makes no new investments for education programs that may not be able to be sustained in future budget years.
- ◆ **Access to Higher Education.** Rejects Governor's proposed cut of \$26.3 million for Academic Preparation programs for the UC and CSU.
- ◆ **Gangs.** Provides \$9.5 million in local assistance grants to create meaningful alternatives to gang affiliation by incentivizing regional collaborations between local agencies and community organizations for gang prevention, intervention, re-entry, job training and community services.
- ◆ **Juvenile Justice.** Reforms the state's system to provide rehabilitative services to juveniles in closer proximity to their families and enhances the capacity of local communities to implement an effective continuum of responses to juvenile crime and

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delinquency. Provides \$130,000 per ward in block grant assistance to local agencies, as well as \$14.9 million in planning grants.

- ◆ **Public Transportation.** Restores \$749 million of the Governor's \$1.3 billion cut to public transit by rejecting the Governor's \$832 million Home-to-School proposal but approving \$339 million for General Obligation Bonds, \$83 million for Proposition 42 loans, and \$129 million for Regional Center transportation.
- ◆ **Proposition 42.** Provides full funding for Proposition 42, including \$83 million in repayments.

As with every budget, no one can be pleased with every aspect of the entire document. However, it is important to note the following issues that have historically been priorities for Legislative Republicans:

- ◆ No new taxes.
- ◆ Reserve equal to the Governor's updated proposed reserve.
- ◆ \$2.5 billion in Economic Recovery Bond repayments, including \$1 billion above the minimum required payment.
- ◆ No new social programs.
- ◆ Full funding of the current year K-12 Equalization deal.
- ◆ Rejection of the Governor's proposed elimination of the Williamson Act subvention.
- ◆ Over \$500 million for local law enforcement programs (none of which are state programs).

In summary, the Conference version of the budget provides a responsible \$2.023 billion reserve, maintains funding for critical programs, and makes difficult cuts – while also making significant General Fund debt payments.

THE 2007-2008 STATE BUDGET  
Preliminary Conference Report

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**Summary of Charts**

**General Fund Summary  
(in millions)**

	<u>2006-07</u>	<u>2007-08</u>
Prior-year balance	\$10,540	\$4,416
Revenues and Transfers	\$95,541	\$101,251
<b>Total Resources Available</b>	<b>\$106,081</b>	<b>\$105,666</b>
<b>Total Expenditures</b>	<b>\$101,665</b>	<b>\$104,393</b>
<b>Fund Balance</b>	<b>\$4,416</b>	<b>\$1,273</b>
<b>Budget Reserves:</b>		
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)
Special Fund for Economic Uncertainties	\$3,671	\$528
Budget Stabilization Account	\$472	\$1,495
<b>Reserve and Budget Stabilization Account</b>	<b>\$4,142</b>	<b>\$2,023</b>

**THE 2007-2008 STATE BUDGET**  
**Preliminary Conference Report**

**Major Changes from Governor's May Revision**  
**Assembly Version**  
**(in millions)**

	<b>Impact on Reserve</b>
Governor's Published Reserve in May Revision	\$2,199
Corrections Medical (CY savings, BY cost)	-\$9
Unclaimed Property (CY year loss of revenue, BY increased revenues and expenditures)	-\$87
SBMA Proposal not available after 7/2 (likely unachievable anyway)	-\$75
Cal Fire current year deficiency	-\$13
Saving from updated PERS retiree health benefit estimate	\$21
<b>Updated Governor's May Revision Reserve</b>	<b>\$2,036</b>
Conference Changes Updated May Revision Reserve	
Reduced Revenue from Tribal Gaming Compacts	-\$22
Rejected CalWORKS cut to kids	-\$314
Rejected cut SSI/SSP COLA (includes updated COLA estimate)	-\$148
Rejected cut to Homeless Mentally Ill Integrated Services	-\$55
Proposition 36 Funding	-\$40
Adjusted EPSDT Repayment schedule	\$156
Reduced cut to Public Transit by \$749 million	-\$749
Reject cut to Williamson Act Subvention	-\$39
Reject transfer from EDD Contingent Fund	-\$27
Reduced Current Year Proposition 98 Settle-up	\$400
Juvenile Justice Reform	-\$78
Cut funding for Mentally Ill Offender Crime Reduction Grants	\$45
Court Security Increase	\$37
Shifted Funding Source for capital projects	\$101
Reject FI\$CAL new spending proposal	\$36
Reject additional early repayment of ERB	\$595
Miscellaneous/Rounding	\$89
<b>Final Conference Reserve</b>	<b>\$2,023</b>

**THE 2007-2008 STATE BUDGET**  
**Preliminary Conference Report**

**General Fund Summary Comparison**  
**Updated May Revision and Conference Version**  
**(in millions)**

	<b>2007-08</b>	
	<b>Updated May Revision<sup>1</sup></b>	<b>Conference Version</b>
	<b><u>2007-08</u></b>	<b><u>2007-08</u></b>
<b>Prior-year balance</b>	\$3,876	\$4,416
<b>Revenues and Transfers</b>	\$101,318	\$101,251
<b>Total Resources Available</b>	<b>\$105,194</b>	<b>\$105,666</b>
<b>Total Expenditures</b>	<b>\$103,910</b>	<b>\$104,393</b>
<b>Fund Balance</b>	<b>\$1,283</b>	<b>\$1,273</b>
<b>Budget Reserves:</b>		
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)
Special Fund for Economic Uncertainties	\$541	\$528
Budget Stabilization Account	\$1,495	\$1,495
<b>Reserve and Budget Stabilization Account</b>	<b>\$2,036</b>	<b>\$2,023</b>

<sup>1</sup>Changes to the Governor's May Revision are as follows:

- ◆ CDCR Medical results in a current year savings and a budget year cost that net about \$9 million in additional expenditures.
- ◆ Unclaimed property changes result in a current year loss of revenue, budget year gain in revenue, and additional expenditure that net a reserve reduction of about \$87 million.
- ◆ SBMA proposal no longer available, and was likely unachievable as proposed, resulting in an increased budget year expenditure of \$75 million.
- ◆ Cal Fire current year deficiency of \$13 million.
- ◆ Updated PERS retiree health costs reduce expenditures by \$21 million.